

Table T07-0164
State and Local Tax Deduction Options
Static Impact on Individual Income Tax Liability and Revenue (\$ billions), 2007-17¹

	Year											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-17
Current Law Baseline												
Fiscal Years²												
Option 1: Repeal Deduction for State and Local Taxes	18.6	43.9	40.1	40.2	58.3	86.9	88.4	89.8	91.1	91.9	92.7	723.4
Option 2: Option 1 but Retain Deduction for Property Taxes	12.4	28.2	24.1	24.0	36.1	55.1	55.7	56.2	56.7	57.0	57.3	450.3
Option 3: Option 1 Plus Repeal AMT	5.3	7.2	-5.1	-14.6	12.2	62.7	60.4	57.5	53.8	48.3	41.3	323.7
Option 4: Option 2 Plus Repeal AMT	-4.1	-17.3	-31.6	-42.9	-19.9	26.0	21.7	16.8	10.8	3.0	-6.3	-39.6
Option 5: Convert Deduction to 15% Nonrefundable Credit	-7.5	-20.6	-24.2	-27.4	-12.8	11.8	9.9	7.8	5.3	2.3	-1.0	-49.0
Calendar Years												
Option 1: Repeal Deduction for State and Local Taxes	46.6	39.9	40.4	39.7	86.3	87.9	89.2	90.7	91.6	92.4	93.2	797.9
Option 2: Option 1 but Retain Deduction for Property Taxes	31.0	24.0	24.2	23.6	54.8	55.5	55.9	56.5	56.8	57.1	57.6	497.2
Option 3: Option 1 Plus Repeal AMT	13.4	-2.2	-9.6	-21.9	63.5	61.5	58.7	55.8	50.9	44.4	36.8	351.1
Option 4: Option 2 Plus Repeal AMT	-10.2	-27.9	-37.2	-51.6	27.6	23.7	18.8	13.7	6.6	-2.3	-12.3	-51.1
Option 5: Convert Deduction to 15% Nonrefundable Credit	-18.9	-23.1	-25.9	-29.8	12.5	10.8	8.6	6.5	3.6	0.3	-3.0	-58.4
Tax Cuts Extended Baseline³												
Fiscal Years												
Option 1: Repeal Deduction for State and Local Taxes	18.6	43.9	40.1	40.2	39.7	39.4	38.8	38.4	38.1	37.9	38.1	394.5
Option 2: Option 1 but Retain Deduction for Property Taxes	12.4	28.2	24.1	24.0	23.6	23.5	23.2	23.2	23.3	23.5	23.8	240.3
Option 3: Option 1 Plus Repeal AMT	5.3	7.2	-5.1	-14.6	-25.8	-36.6	-49.7	-63.8	-79.0	-96.8	-116.5	-480.8
Option 4: Option 2 Plus Repeal AMT	-4.1	-17.3	-31.6	-42.9	-56.2	-68.8	-83.7	-99.8	-117.0	-136.9	-158.8	-813.0
Option 5: Convert Deduction to 15% Nonrefundable Credit	18.6	44.8	42.5	42.9	42.8	42.9	42.8	42.8	43.0	43.3	44.1	431.9
Calendar Years												
Option 1: Repeal Deduction for State and Local Taxes	46.6	39.9	40.4	39.7	39.6	39.1	38.5	38.2	37.9	37.9	38.4	436.1
Option 2: Option 1 but Retain Deduction for Property Taxes	31.0	24.0	24.2	23.6	23.5	23.3	23.1	23.2	23.4	23.6	24.0	267.0
Option 3: Option 1 Plus Repeal AMT	13.4	-2.2	-9.6	-21.9	-31.6	-44.0	-58.2	-72.2	-89.2	-108.3	-128.9	-552.8
Option 4: Option 2 Plus Repeal AMT	-10.2	-27.9	-37.2	-51.6	-63.1	-77.3	-93.4	-109.4	-128.4	-149.7	-172.5	-920.6
Option 5: Convert Deduction to 15% Nonrefundable Credit	46.6	42.1	43.0	42.7	43.0	42.9	42.7	42.9	43.1	43.7	44.7	477.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

(1) Proposals are effective 01/01/07. All proposals repeal taxation of state tax refunds after 2007; the credit option includes a reduction in the qualified taxes used to calculate the credit based on the prior year's refund. Estimates are static and do not account for any potential microeconomic behavioral response. Official estimates from the Joint Committee on Taxation would likely show a somewhat different effect on revenue.

(2) Fiscal-year revenue numbers assume a 40-60 split. The actual effect on receipts could differ.

(3) Baseline extends all individual income and estate tax provisions of current law scheduled to sunset in 2010.